

THE JACOBS REPORT

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STATE CLOSES BOOKS IN BLACK

Fiscal Year 2005 Ends in Surplus

This week, State Budget Director Mary A. Lannoye released the State of Michigan Comprehensive Annual Financial Report (CAFR) for fiscal year 2005. The state closed its books with a surplus in both the general fund and the School Aid Fund. The general fund surplus is \$220 million with the School Aid Fund surplus totaling \$98 million. By statute, the School Aid Fund surplus was transferred into the School Aid Stabilization Fund.

While there is a substantial amount of money left from the 2005 fiscal year, Director Lannoye urged fiscal restraint until more economic data is available later in the fiscal year.

“Despite the progress made in 2005 under Governor Granholm’s economic plan, serious financial uncertainties remain in our manufacturing sector, with potential federal budget cuts and large spending pressures in fiscal year 2007,” said Director Lannoye. “Since the Governor took office, we have had to eliminate nearly \$4 billion in budget deficits by making tough choices and eliminating waste. We must continue to live within our means by continuing to show fiscal responsibility.”

Director Lannoye stressed that a vast majority of the general fund surplus is due to one-time revenue surges that will be unavailable in the current fiscal year. She also noted that much of this funding will go directly towards paying for the recently enacted business tax cuts.

The Consensus Revenue Estimating Conference, scheduled for January 12th, is expected to determine the current funding gap for fiscal year 2007. Some spending pressures for 2007 may include impact of federal policies on Michigan, possibility of increased Medicaid and Human Services caseloads, employee economics, and paying for the recently enacted business tax cuts.

For the fourth consecutive year, Michigan has published its CAFR within 90 days of the end of the fiscal year, an accomplishment unmatched by any other state. The state formally closed the books on fiscal year 2005 on December 28th. The state's CAFR has also been awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the last 18 years. The certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

PUBLIC SERVICE COMMISSION: MORE ENERGY CAPACITY

Demand Might Exceed Supply in 2009

The Michigan Public Service Commission (MPSC) issued its report on Michigan's future electric capacity needs, indicating that Michigan's existing generation resources are adequate to meet the state's demand, but by 2009, growing demand will require that certain measures be undertaken to ensure that Michigan's electric grid keeps the power flowing.

"With aging electric plants and increasing demand for electricity, Michigan needs to start planning now to ensure that the lights stay on well into the future," said MPSC Chairman J. Peter Lark. "While problems are not imminent, more electric generation may be needed as soon as 2009. I am pleased that Capacity Need Forum participants have laid much of the groundwork needed to determine what Michigan needs and how to meet that need."

In October of last year, the MPSC issued an order directing the MPSC staff to begin a Capacity Need Forum (CNF) with a two-fold goal:

- determine whether Michigan's electric generating capacity will be adequate to meet the growing demand for electricity, especially given the likely retirement of some of the state's older generating units, and assuming additional resources are needed, what types of resources would be best for Michigan; and
- provide guidance to the MPSC on rate-making policies and methodologies to allow recovery of utility investment in electric generation resource additions.

Over 160 individuals from 60 organizations participated in the forum. It is the first electric energy planning effort coordinated by a State of Michigan agency since 1985.

The 60-page report is available on the MPSC's website:

http://www.dleg.state.mi.us/mpsc/electric/capacity/cnf/cnf_report_1-3-06.pdf

http://www.dleg.state.mi.us/mpsc/electric/capacity/cnf/cnf_reportvol2_1-3-06.pdf

MICHIGAN TO EXPORT NEW IMAGE

Goal is to Import Jobs, Tourism

The state is directing \$20 million dollars into a new campaign to help sell Michigan. The Michigan Economic Development Corporation announced that they are accepting bids from advertising agencies to head marketing campaigns that will attract tourists and businesses.

Interested agencies have until February 6 to apply for either, or both, campaigns.

Preference will be given to Michigan agencies interested in the contract that will run from March 1 to September 30, 2007.

For more information, please contact the MEDC: <http://medc.michigan.org/all/contactUs/>

All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/> .

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State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

This newsletter is produced in single-space form in order to save paper and transmission costs.

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